Alliance for Public Technology
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December 9, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

William A. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Ex-parte CC Docket No. 97-208

Dear Secretary Caton:

On Monday, December 8, 1997, Maureen Lewis and Sylvia Rosenthal, representing the Alliance for Public Technology, Albert Clark and Jordan Clark, representing the United Homeowners Association, and Angela Ledford, representing Keep America Connected, met with Commissioner Furchtgott-Roth to discuss BellSouth's application to offer long distance service in the state of South Carolina.

Attendees discussed the consumer benefits of competition in the long distance market, including lower rates, new incentives for investment in advanced infrastructure, and incentives for IXCs and CLECs to serve the local residential market.

The enclosed materials were left with Commissioner Furchtgott-Roth and his staff.

Thank you.

Sincerely,

Maureen A. Lewis

Maureen Lewis
Counsel

enclosures

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Alliance for Public Technology

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October 20, 1997

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OCT 21 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed Hundt
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: Comments of the Alliance for Public Technology
CC Docket No. 97-208

Dear Chairman Hundt:

In several proceedings, the Alliance for Public Technology (APT) has urged the Commission to adopt policies that would foster investment in and deployment of advanced infrastructures in the local network to enable every home to be able to receive and send, over a high bandwidth network, video, data and voice communications. We are motivated by the firm belief that these technologies can improve the quality of life for all sectors of our society, particularly the diverse range of nonprofit communities and individuals that APT serves.

A balanced policy that encourages both long distance and local competition can accelerate progress toward the goal APT has articulated. For example, local phone company entry into the long distance market can provide an incentive for infrastructure investment and innovative services. It can also spur a strong retail marketing effort, both in the long distance and the local markets.

This brings us to the pending application of BellSouth to enter the long distance market within its region. The Alliance is not in a position to judge the compliance of any one company with respect to the 14 point checklist of requirements. We do note that the South Carolina PUC has determined that BellSouth has fulfilled the requirements of the checklist. This determination

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by the regulators at the local level is obviously entitled to great weight. [See Section 271 (d) (2) (B) "Consultation With State Commissions."]

We would, therefore, urge that the Commission give the most serious consideration to the application of BellSouth, in order to obtain the competitive benefits as soon as possible.

Sincerely,

Dr. Barbara O'Connor
Chair

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OCT 20 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the matter of the Application by BellSouth for Provision of In-Region, Interlata Services in South Carolina	)))))	CC Docket No. 97-208

COMMENTS OF
UNITED HOMEOWNERS ASSOCIATION

The United Homeowners Association (UHA) submits the following comments in the above referenced proceeding.

BellSouth has submitted an application to the Federal Communications Commission (FCC) to offer long distance service in South Carolina. BellSouth's application is the third such request for permission to enter the long distance market. The FCC has denied two applications submitted earlier by Ameritech and SBC.

UHA hopes that BellSouth's applications will meet the concerns of the Commission, and we think there is every reason that it should.

The South Carolina Public Service Commission unanimously agreed that BellSouth has met its obligations under the 1996 Telecommunications Act to open its market to competition (the 14 point checklist) and that allowing BellSouth to offer long distance service is in the public interest. UHA has also reviewed BellSouth's OSS system which allows competitors to purchase BellSouth service for resale and unbundled network elements for use with their own facilities. It is available today for competitors throughout the BellSouth region. It can be accessed using the internet, through direct dial-up service, or by calling BellSouth service representatives.

The FCC can deliver, in part, the promise of the 1996 Act to homeowners in South Carolina by approving BellSouth's application. BellSouth has already announced that its basic rates for long distance service in South Carolina will be 5 percent less than basic rates offered by the leading long distance carriers. UHA believes that additional savings are possible. In Connecticut where SNET, a local telephone company, now offers long distance service under deregulation, rates have fallen even more dramatically.

The FCC will have 90 days from the date of filing to issue a decision on BellSouth's application. UHA urges the FCC to approve the application so that homeowners in South Carolina can realize the benefits of meaningful competition in the long distance market.

Respectfully submitted

Jordan Clark

Jordan Clark
President
United Homeowners Association
1511 K Street, NW, 3rd Floor
Washington, D.C. 20005
(202) 408-8842

October 20, 1997

Keep America Connected!

National Campaign for Affordable Telecommunications

P.O. Box 27911, Washington, DC 20005
202-842-4080; 202-408-1134 Fax

News Release

For Immediate Release
September 24, 1997

For More Information Contact
Angela Ledford 202-842-4080

Consumers Call on FCC to Investigate Illusive Savings From Access Charge Reductions

(WASHINGTON...September 24, 1997) Keep America Connected today called on Federal Communications Commission Chairman Reed Hundt to investigate how much of the $1.7 billion access charge reduction the long distance industry pocketed and how much it passed on to consumers.

Keep America Connected based its request on strong evidence that many consumers are not saving money on their long distance bills despite cuts in access charges, and may even be paying more. In May, the FCC ordered cuts in access charges, the fees long distance companies pay local phone companies for connecting calls. The Commission predicted that the average consumer would save around $2.00 per month.

"Consumers were promised lower phone bills, but few will see any real savings," said Angela Ledford, Director of Keep America Connected. "Only two companies made any attempt to pass through the savings, others pocketed the savings and even increased their fees."

Keep America Connected's report, "In Search of Savings," shows that long distance companies employed a wide variety of strategies to hold on to the access charge reductions. Companies lengthened daytime calling periods, (the most expensive rates of the day), increased calling card rates and charges and raised the price of directory assistance. With the exception of consumers paying AT&T and MCI's most expensive rates, few others saw any immediate, per-minute savings.

During the access charge proceedings, Keep America Connected and several other consumer organizations appealed to the FCC to require that the long distance companies pass through the access reductions. The results of Keep America Connected's study indicate that, absent a mandate, only greater competition in the long distance market will bring real savings.

"The FCC must open the long distance market to greater competition," Ledford said. "Only a large competitor can bring the kind of competition necessary to force long distance rates down. The entry of the local phone companies would have a dramatic impact on an industry that has been steadily raising rates for the last eight years."

Keep America Connected is a coalition of organizations representing older Americans, people with disabilities, rural and inner city residents, labor and local phone companies.

For a copy of the letter and/or the report, call 202-842-4080

-XX-

Keep America Connected!

National Campaign for Affordable Telecommunications

PO Box 27911, Washington, DC 20005
202-842-4080; 202-408-1134 Fax

September 24, 1997

Chairman Reed Hundt
Federal Communications Commission
1919 M Street NW
Washington, D.C. 20554

Dear Chairman Hundt,

After a thorough analysis of long distance rates since the July 1, 1997 access charge reduction, we have become very concerned that the long distance industry is not passing those savings along to consumers in the manner that was intended by the Commission. In fact, our analysis indicates that many consumers may see their long distance bills go up

We are concerned about some far-reaching trends we see in the industry. Only two companies appear to have passed through any of the access charge reductions. Sprint and many other long distance companies made no attempt to pass along the savings. In addition, several companies increased calling card rates and discontinued some of their lowest cost plans. MCI cut its basic rates, but has made many changes that will increase costs to consumers, including higher long distance directory assistance charges and a longer daytime calling period

Our analysis revealed that:

- Sprint standard rate customers' phone bills likely went up by as much as \$2.11/month. Bills for Matrix, LCI and WorldCom customers on basic rates stayed the same or went up by as much as \$1.45.

- Customers who have subscribed to the heavily marketed flat rate "discount" plans did not, by and large, benefit from the FCC's access charge decision

- Rates for many carriers' cheapest plans are more expensive now than before access reductions were made.

- By phasing out some discount plans and aggressively promoting others, the long distance carriers may be making up any amount of access savings they passed along to customers.

- Long distance carriers are raising the costs of long distance by extending daytime calling periods, raising fees on calling cards, and charging more for directory assistance.

We believe these findings are particularly important in light of the fact that long distance companies should see access charges go down by $18 billion over the next five years. In the past, long distance companies have pocketed much of these savings. The effect of this highly publicized first round of rate reductions could indicate the savings consumers can expect in the future are illusory.

We respectfully request your investigation of the pass through of access charges to consumers. We hope you will look at which companies have passed through the savings, what was the aggregate amount of the pass through, and the amount of the pass through offset by fee increases and other revenue raising devices. We enclose a copy of our report for your review.

We appreciate your attention to this matter and look forward to the opportunity to discuss our concerns with you.

Sincerely,

Angela D. Ledford

Angela D. Ledford
Director

cc Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chong
Members, Senate Commerce Committee
Members, House Commerce Committee

Keep America Connected!
A National Campaign for Affordable Telecommunications

Presents

In Search Of Savings:

A Look at Long Distance Phone Bills After Access Reform

September 24, 1997

Executive Summary

Keep America Connected sought to determine whether residential customers will save money as a result of the FCC decision to lower access charges by $1.7 billion. Unfortunately, our analysis shows that the long distance industry, by and large, has used a variety of devices to hold on to the money, instead of passing the full amount of savings along to their customers.

Access charges are the fees that long distance companies pay to the local phone company to start and complete a call. Long distance companies argued that these fees kept long distance rates higher than necessary and implied (and, some cases, promised) they would pass along any reduction in these fees to consumers. Keep America Connected worked to keep these fees contributing to quality, low-cost local service -- and to make sure consumers received the benefit of any savings reduction in access charges. The FCC failed to enact Keep America Connected's recommendation and here's what happened.

<u>Summary of Findings</u>

- FCC Chairman Reed Hundt claimed that the "typical" or average residential customer's bill would drop from $22.50 a month to $20.65 a month. Keep America Connected's analysis of long distance company rates and found that rates for the FCC's typical caller were just as likely to go up as down.

- Only two of the nation's long distance companies reduced the cost of their "standard" (most expensive) rates.

- Sprint standard rate customers' phone bills likely <u>went up</u> by as much as $2.11/month. Matrix, LCI and WorldCom customers on basic rates <u>stayed the same or went up</u> by as much as $1.45.

- Customers who have subscribed to the heavily marketed flat rate "discount" plans did not benefit much from the FCC's access charge decision.

- Rates for many carriers' <u>cheapest plans are more expensive now</u> than before access reductions were made.

- By phasing out some discount plans and aggressively promoting others, the long distance carriers may be making up any amount of access savings they passed along to customers.

- Long distance carriers are raising the costs of long distance by extending daytime calling periods, raising fees on calling cards, and charging more for directory assistance.

Introduction

In May, amid great fanfare, the Federal Communications Commission (FCC) announced new rules for universal service and long distance access charges. After months of struggling through the competing claims and demands of the local phone companies, long distance companies, consumer groups, and a wide array of other interest groups, the Commission proudly proclaimed that it had established the rules necessary to implement the 1996 Telecommuncations Act and that consumers would save money as a result.

The consumer savings heralded by the FCC were largely the result of reductions in access charges, the fees long distance companies pay local telephone companies to connect long distance calls. Access charges were reduced by $1.7 billion on July 1, 1997. Since 1991, the major long distance companies, AT&T, MCI, and Sprint, have increased rates in lockstep, notwithstanding the fact that access charges were decreasing (see Chart 1).

In a major departure from past practices, AT&T promised to lower long distance rates. [1] MCI ultimately followed suit.[2] AT&T and MCI reduced their basic or standard rates by 5 percent during the daytime, 5 percent in the evening, and 15 percent at night and on weekends. The nation's third largest long distance company, Sprint, made no such commitment and, to date, has not reduced basic rates to reflect the access charge reductions ordered by the FCC.

FCC Chairman Reed Hundt claimed that the "typical," or average, residential customer would save more than 8 percent on long distance as a result of the Commission's action. According to the FCC the average customer's long distance bill would drop from $22.50 a month to $20.65 a month.

Average Customer Savings

Keep America Connected[3] set out to find out what happened to the "typical" residential long distance customer as described by Chairman Hundt. He/she was hard to find.

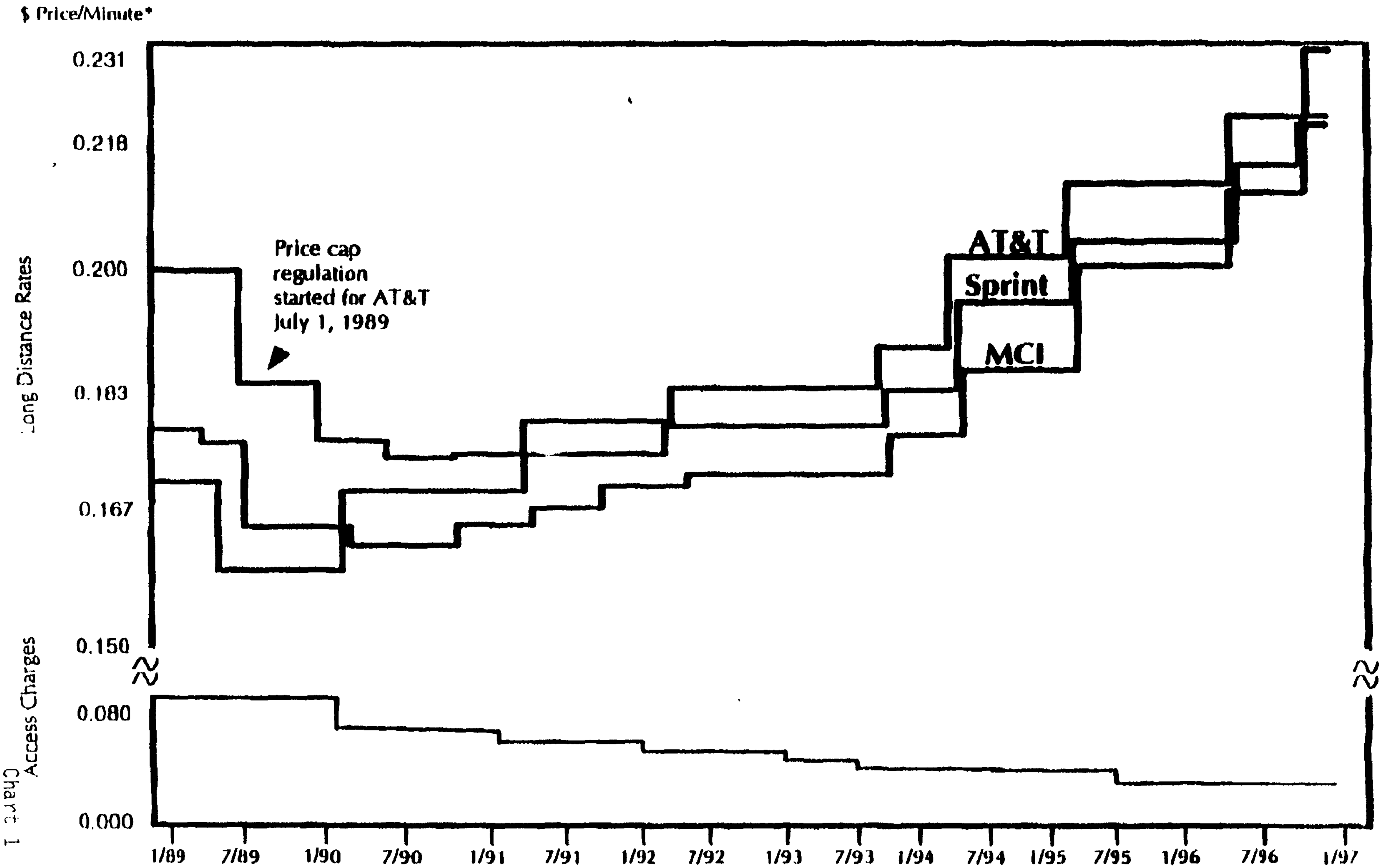
Long distance prices are very complicated. Rates vary from company to company and from calling plan to calling plan. The most thorough analysis of long distance prices is prepared

[1] "AT&T Reaction to FCC Plan to Reform Access Fees, Universal Service," AT&T press release, May 7, 1997.

[2] "FCC Decision Takes First Step Towards Lowering Excessive Access Charges," MCI statement, May 7, 1997

[3] Keep America Connected is a coalition of organizatinions representing older Americans, people with disabilities, rural and inner city residents, people of color, lower income citizens, labor and local phone companies. The campaign's agenda is to ensure accessible telecommunications for daily life and to enact policies that lead to a modern information infrastructure available to all people.

Trends in Long Distance Rates and Exchange Access Charges



*Long distance rates based on the average price per minute for basic service.
Source: *WEFA Group and FCC Tariff Filings*

Chart 1

regularly by the Telecommunications Research and Action Center (TRAC).[4] Four times a year, TRAC updates its residential and small business long distance price comparisons that track the significant and subtle changes in long distance rates and services of the nation's leading long distance carriers.

TRAC compares the costs for 18 different long distance calling patterns or baskets[5] for 35 different calling plans[6] offered by seven of the largest long distance companies.[7] The calling baskets go beyond simple calculations of per minute rates. The baskets include a representative sampling of directory assistance and calling card calls to more realistically represent a consumer's bill at the end of the month.

Keep America Connected obtained copies of TRAC's March 1997 and September 1997 residential charts to see just what happened to the FCC's "typical" customer. Of the 631 analyses done by TRAC in March, 46 were in the range of $20.00 to $25.00 per month, approximating the FCC's typical customers.[8] We were able to make 30 identical comparisons with TRAC's September 1997 chart.[9] In 9 cases the cost of monthly long distance went up, in 10 cases it stayed the same, and in only 11 cases did the cost of long distance actually go down. [See Table 1]

As you can see, the result is a mixed bag for TRAC's average or typical residential customer. Savings ranged from 42 cents to $3.03. Potential increases in the typical callers' phone bill ranged from a penny to $2.11.

Standard Rate Customers

So, who are the residential customers who will reap the benefits of the FCC's new access charge rules? They are, by and large, some, but not all, standard rate customers.

In a report issued earlier this year, the United Homeowners Association (UHA) estimates that approximately 60 percent of long distance residential customers are paying basic rates.[10]

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[4] TRAC is a non-profit, tax exempt, membership organization based in Washington, DC. Its goal is to promote the interests of residential telecommunications customers. Twice a year, TRAC's staff researches residential long distance rates and publishes their findings in Tele-Tips™.

[5] A calling basket represents a hypothetical calling pattern containing a set amount of minutes per month.

[6] A calling plan is a program offered by a long distance carrier providing specific rates and services.

[7] AT&T, MCI, Sprint, Frontier, LCI, Matrix, and WorldCom.

[8] FCC's typical consumer was represented in TRAC's 12 - 18-call call baskets, totalling from 106 to 179 minutes of calling,

[9] Some plans were no longer offered by the carriers, and some were taken off at the request of the carrier.

[10] "Charging for Residential Long Distance Service: Who is Paying Too Much," Prepared for the United Homeowners Association by Dwight R. Lee, Ramsey Professor of Economics and Private Enterprise, University of Georgia, Athens Georgia.

COMPARISON OF AVERAGE MONTHLY HOUSEHOLD BILLS
MARCH 1997 - SEPTEMBER 1997

Keep America Connected obtained copies of TRAC's March 1997 and September 1997 residential charts to see just what happened to the FCC's "typical" customer. Of the 631 analyses done by TRAC in March, 46 were in the range of $20.00 to $25.00 per month (12-18 calls per month or about 86-179 minutes), approximating the FCC's typical customer. We were able to make 38 identical comparisons with TRAC's September 1997 chart. In 13 cases the monthly cost of long distance service went down, in 16 cases it stayed the same, and in 9 cases it

	Average Daily Use			Heavy Daily Use			Heavy Night/Weekend Use		
Standard Rate Plans	March	Sept.	Diff	March	Sept.	Diff.	March	Sept.	
AT&T Dial-1 Standard				$24.12	$23.14	-$0.98	$24.58	$21.55	-$3.03
Frontier Dial-1				$24.31	$24.31	0	$23.59	$23.60	+$0.01
LCI Basic	$24.87	$24.87	0	$23.18	$23.18	0	$23.34	$23.34	0
Matrix Dial-1	$20.58	$21.08	+$0.50						
MCI Dial-1 Standard				$23.99	$23.57	-$0.42	$24.45	$22.34	-$2.11
Sprint Standard				$24.12	$24.91	+$0.79	$24.58	$23.49	-$1.09
WorldCom MTS	$21.29	$22.44	+$1.15				$22.64	$21.03	-$1.61
Flat Rate Plans with Multiple Time Periods									
AT&T Simple Rate									
Frontier HomeSaver									
LCI All America Plan				$24.96	$24.96	0			
LCI Two Rate							$24.66	$24.66	0
Matrix SmartWorld							$23.94	$23.94	0
Sprint Sense									
WorldCom Home Advantage	$24.70	$26.40	+$1.70						
Flat Rate Plans with a Single Time Period									
AT&T One Rate							$21.20	$21.20	0
AT&T One Rate Plus				$24.65	$24.65	0	$20.10	$20.10	0
LCI Single Rate				$23.51	$23.51	0	$20.26	$20.26	0
Matrix Flat Rate I				$22.44	$22.44	0			
MCI One (after July 15, 1997)				$24.93	$24.93	0	$20.68	$17.23	-$3.45
MCI One (before July 15, 1997)									
Sprint Sense Day				$24.30	$26.05	+$1.75	$20.60	$21.35	+$0.75
WorldCom Home Advantage Easy Plan									
Discount Plans Based On Consumer Calling Patterns									
AT&T True Reach				$21.71	$22.06	+$0.35	$22.12	$20.78	-$1.34
AT&T True Savings									
Matrix SmartWorld Basic									
MCI Friends and Family	$24.03	$22.56	-$1.47	$22.65	$21.43	-$1.22			
MCI Friends and Family Free									
Sprint Sense with the Most									
Sprint The Most II				$24.12	$24.91	+$0.79	$24.58	$23.49	-$1.09
Term Commitment Plans									
Matrix SmartWorld Basic w/Discount									
MCI One w/Cash Back (after July 15, 1997)									
MCI One w/Cash Back (before July 15, 1997)*									
Sprint Sense w/Cash Back							$22.41	$25.02	+$2.61
Loyalty/Rewards Plans									
AT&T One Rate w/True Rewards				$21.71	$22.06	+$0.35	$21.20	$21.20	0
AT&T True Reach w/True Rewards							$22.12	$20.78	-$1.34
AT&T True Savings w/ True Rewards									

TABLE 1 Source: TRAC 9/24/97

These are the most expensive rates a customer can pay. Consumers often end up on these plans when they establish local service and are asked to designate a long distance carrier. The consumer may not know about different discount plans and the local phone company only asks them to designate a company, not a plan. Unless the consumer actively requests a discount plan or their long distance company assigns them to a calling plan, they will pay the highest rates allowed.

The July cut in basic rates implemented by AT&T and MCI translated into real savings for many, but not all residential customers on standard calling plans. AT&T and MCI standard rate customers spending less than $25 a month on long distance saw a reduction in their bills that ranged from $.42 to $3.03, a 1.75% to 12.33% decrease.

But Sprint standard rate customers' phone bills most likely went up by $.79 to $2.11. Matrix, LCI and WorldCom customers on basic rates stayed the same or went up by as little as a penny or as much as $1.45. (See Table 2.)

The increases were caused not by an increase in the per minute rate, but by other, more subtle changes in the costs of long distance calling. Sprint extended its daytime calling period for basic rates from 8:00 AM to 5:00 PM to 7:00 AM to 7:00 PM, collecting their largest per minute rate for an additional three hours every day. MCI quickly followed suit. Day time rates are the most expensive. As a result, some Sprint customers on the company's standard rate plan will pay more for long distance service.[11]

Other increases for long distance services included:

- MCI and WorldCom raised their long distance directory assistance charges; MCI's LDDA went up 20 cents while WorldCom's went up 19 cents.
- Sprint raised the cost of using a phone card. Sprint's surcharge for using the card went from 30 cents to 60 cents on every call made -- a 100 percent increase from the $0.30 charge reported in TRAC's March 1997 chart.

Calling Plan Customers

Keep America Connected's analysis reveals that residential customers on discount calling plans probably have not seen any benefit from access charge reductions.

Residential customers on the heavily marketed flat rate calling plans will not save much as a result of the FCC's decision. Flat rate plans generally stayed the same. According to spokesman Paul Reiser, residential customers on AT&T's One Rate plan are still paying $0.15 per minute of long distance service. And Candace Bergen reminds us that Sprint Sense customers are still paying $0.25 per minute for peak and a dime a minute for off-peak calling.

[11] Also Sprint customers on discount plans based on standard rates will pay more.

COMPARISON OF AVERAGE MONTHLY HOUSEHOLD BILLS FOR STANDARD RATES MARCH 1997 - SEPTEMBER 1997

The July cut in basic rates implemented by AT&T and MCI translates into real savings for many, but not all, residential customers on standard calling plans. AT&T and MCI standard rate customers spending less than $25 a month (12 calls or 86-121 minutes) on long distance saw a reduction in their bills that ranged from $0.42 to $3.03, a 1.75% to 12.33% decrease. **But Sprint standard rates customers' phone bills most likely went up by $0.79 to $2.11. Matrix, LCI, and WorldCom customers on basic rates stayed the same or went up by as little as a penny or as much as $1.45.**

Average Daily Use (12 Calls / 106 Minutes)

	March	Sept.	Diff.	%
AT&T Dial-1 Standard	$25.59	$24.25	- $1.34	-5.24%
Frontier Dial-1	$27.18	$27.18	+ $0.00	0.00%
LCI Basic	$24.87	$24.87	+ $0.00	0.00%
Matrix Dial-1	$20.58	$21.08	+ $0.50	2.43%
MCI Dial-1 Standard	$25.46	$24.78	- $0.68	-2.67%
Sprint Standard	$25.59	$27.70	+ $2.11	8.25%
WorldCom MTS	$21.29	$22.44	+ $1.15	5.40%

Heavy Daily Use (12 Calls / 86 Minutes)

	March	Sept.	Diff.	%
AT&T Dial-1 Standard	$24.12	$23.14	- $0.98	-4.06%
Frontier Dial-1	$24.31	$24.31	+ $0.00	0.00%
LCI Basic	$23.18	$23.18	+ $0.00	0.00%
Matrix Dial-1	$19.08	$19.48	+ $0.40	2.10%
MCI Dial-1 Standard	$23.99	$23.57	- $0.42	-1.75%
Sprint Standard	$24.12	$24.91	+ $0.79	3.28%
WorldCom MTS	$18.77	$20.22	+ $1.45	7.73%

Heavy Night/Weekend Use (12 Calls / 121 Minutes)

	March	Sept.	Diff.	%
AT&T Dial-1 Standard	$24.58	$21.55	- $3.03	-12.33%
Frontier Dial-1	$23.59	$23.60	+ $0.01	0.04%
LCI Basic	$23.34	$23.34	+ $0.00	0.00%
Matrix Dial-1	$19.89	$20.53	+ $0.64	3.22%
MCI Dial-1 Standard	$24.45	$22.34	- $2.11	-8.63%
Sprint Standard	$24.58	$23.49	- $1.09	-4.43%
WorldCom MTS	$22.64	$21.03	- $1.61	-7.11%

Several companies made changes to their calling plans that could mean higher rates. AT&T no longer promotes Simple Rate -- their $0.25 per minute peak/$0.10 per minute off-peak plan. MCI no longer offers Friends and Family Free, which gave customers who spent $10 or more per month up to one hour of free calls to other MCI customers. But the company added a new plan based on its MCI One -- MCI One with Cash Back.[12] Sprint no longer offers Sprint Sense with Most Enhancement and Sprint Sense with the Most with Cash Back.

In addition, consumers are paying more for other long distance services. MCI, for example, raised their long distance directory assistance charges 20 cents, from $0.95 per call to $1.15 per call, a 15.8 percent increase. Consumers using Sprint's FONCARD will now pay a $0.60 surcharge on every call made -- a 100 percent increase from the $0.30 charge reported in TRAC's March 1997 chart. LCI raised its calling card off-peak rate from $0.18 per minute to $0.20 per minute. And WorldCom raised its long distance directory assistance charge from $0.64 to $0.85.

To make some sense out of what all these changes mean to residential customers, Keep America Connected looked, again, at the long distance analyses done by TRAC.

For nine of TRAC's 18 calling baskets[13] with prices ranging from $15 to $40 per month, Keep America Connected compared each carrier's the best plan in March 1997 and September 1997. The results of that analysis is presented in Table 3. Of the 63 cases examined, in 21 cases the rate for the carrier's cheapest plan went up, in 25 cases it stayed the same, and in 17 cases it decreased. The lowest price calling plan for consumers spending less than $40 a month went up 33% of the time, stayed the same 39% of the time and went down 26% of the time.

For example, for customers who make 18 long distance calls a month, (totalling 179 minutes), mostly at night or on the weekends, the best AT&T plan in March 1997 was Simple Rate, costing $25.85. In September, the best AT&T plan was True Reach, costing $28.58 per month, a 10 percent increase. The best MCI plan for the same customers in March 1997 was MCI Friends and Family Free, costing $26.71. In September, the best MCI plan was MCI One with Cash Back, costing $24.34, a nine percent decrease.

[12] MCI One is a flat rate calling plan that allows consumers to choose a "cash back" option. After a period of a year, the customer receives a check for the amount of 20% of the year's charges. The option is no longer available.

[13] Looking at the calling baskets with prices ranging from $15 to $40 includes the FCC's typical customer and provides a larger sampling of data.

COMPARISON OF LOWEST COST CALLING PLAN
MARCH 1997 - SEPTEMBER 1997

Average Daily Use

12 Calls / 106 Minutes

	March	Sept.	Diff.	%
AT&T	$18.30	$19.57	+ $1.27	7%
MCI	$17.93	$13.75	- $4.18	-23%
Sprint	$18.85	$19.85	+ $1.00	5%
Frontier	$16.95	$16.95	+ $0.00	0%
LCI	$17.88	$17.88	+ $0.00	0%
Matrix	$16.12	$16.48	+ $0.36	2%
WorldCom	$17.00	$17.27	+ $0.27	2%

18 Calls / 159 Minutes

	March	Sept.	Diff.	%
AT&T	$29.20	$27.65	- $1.55	-5%
MCI	$28.08	$21.65	- $6.43	-23%
Sprint	$25.34	$27.72	+ $2.38	9%
Frontier	$25.43	$25.40	- $0.03	0%
LCI	$27.27	$27.27	+ $0.00	0%
Matrix	$25.48	$25.48	+ $0.00	0%
WorldCom	$24.70	$26.38	+ $1.68	7%

Heavy Daily Use

12 Calls / 86 Minutes

	March	Sept.	Diff.	%
AT&T	$16.70	$16.70	+ $0.00	0%
MCI	$15.93	$12.04	- $3.89	-24%
Sprint	$15.85	$16.85	+ $1.00	6%
Frontier	$18.25	$18.25	+ $0.00	0%
LCI	$14.98	$14.98	+ $0.00	0%
Matrix	$14.71	$14.71	+ $0.00	0%
WorldCom	$18.60	$14.49	- $4.11	-22%

18 Calls / 129 Minutes

	March	Sept.	Diff.	%
AT&T	$24.65	$24.65	+ $0.00	0%
MCI	$24.93	$18.77	- $6.16	-25%
Sprint	$24.30	$26.05	+ $1.75	7%
Frontier	$27.35	$27.35	+ $0.00	0%
LCI	$23.51	$23.51	+ $0.00	0%
Matrix	$22.44	$22.44	+ $0.00	0%
WorldCom	$27.10	$22.21	- $4.89	-18%

Heavy Night and Weekend Use

12 Calls / 121 Minutes

	March	Sept.	Diff.	%
AT&T	$15.45	$20.10	+ $4.65	30%
MCI	$16.80	$14.42	- $2.38	-14%
Sprint	$14.55	$15.30	+ $0.75	5%
Frontier	$14.43	$14.43	+ $0.00	0%
LCI	$14.43	$14.43	+ $0.00	0%
Matrix	$14.69	$14.69	+ $0.00	0%
WorldCom	$14.69	$14.75	+ $0.06	0%

18 Calls / 179 Minutes

	March	Sept.	Diff.	%
AT&T	$25.95	$28.58	+ $2.63	10%
MCI	$26.71	$24.34	- $2.37	-9%
Sprint	$22.41	$25.02	+ $2.61	12%
Frontier	$25.66	$25.65	- $0.01	0%
LCI	$24.66	$24.66	+ $0.00	0%
Matrix	$23.94	$23.94	+ $0.00	0%
WorldCom	$26.58	$26.70	+ $0.12	0%

Overall, MCI customers seeking the least cost plan fare far better than AT&T and Sprint customers. Of the nine cases examined for each company, the price for MCI's lowest cost plan decreased in each case. For AT&T, the price for the lowest cost plan increased four times, decreased only once, and stayed the same four times. In all nine cases the cost for Sprint's lowest cost plan increased.

The best strategy for the consumer who wishes to see any savings from access charge reform is to shop around. Only AT&T and MCI basic rate customers saw any immediate per minute rate reductions. For other consumers to see any benefit from access reform, they must be aware of changes in calling plans and request a change of plans and maybe a change in carrier. Sprint and MCI announced new promotions in the last week that could provide savings to consumers with very specific calling patterns (heavy Sunday or Monday evening callers). But consumers must keep a careful watch on their total monthly bill to see if they are getting real rate reductions.

Conclusions

After a thorough analysis of long distance rates since the July 1, 1997 access charge reduction, there is reason to be concerned that the long distance industry is not passing those savings along to consumers in the manner that was intended by the Federal Communications Commission. In fact, our analysis indicates that many consumers may see their long distance bills go up.

The Federal Communications Commission should launch an investigation of the carriers' handling of the access charge reduction and their willingness to pass through access charges to consumers. It should look at which companies, if any, passed all the savings on to consumers, what was the aggregate amount of the pass through, and how much was it offset by fee increases and other revenue raising devices.

It is important that these questions be answered in light of the fact that long distance companies should see access charges drop by go down by $18 billion over the next five years. In the past, long distance companies have pocketed much of these savings. If the effect of this highly publicized first round of rate reductions indicates what consumers can expect from future access charge reductions, the FCC needs to take steps to ensure real rate reductions take place.

Ultimately, only increased competition will push these carriers to pass along these savings. The FCC should move quickly to break the big three long distance carriers' dominance in the long distance market. Allowing local phone companies to provide long distance service will create more competition in the long distance market and force rates down.

Keep America Connected!

National Campaign for Affordable Telecommunications

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EMBARGOED RELEASE
Friday, October 17, 1997

Contact: Angela Ledford
202-842-4080

Residential Consumers Put on Hold by Long Distance Companies.

Large and Small Companies Rush to Compete for Business Customers But They Won't Be Coming Soon to Your Neighborhood.

(WASHINGTON, DC...October 17, 1997) Large and small long distance companies show little or no interest in serving residential customers in the Southeastern United States according to a preliminary study released today by Keep America Connected. Early results of the study show that while business consumers are realizing the benefits of competition, the prospects of residential consumers seeing lower prices and greater choices are slim.

When consumers called to request service from the companies that are authorized to provide local residential telephone service in Florida, South Carolina and Louisiana, they were discouraged or refused service out-right. Consumers found it very difficult to get a definitive answer out of many of the new competitors. But it is clear than none of the carriers are clamoring for residential business.

"Consumers in all neighborhoods and in all walks of life stand to benefit from the telephone competition we have been promised," said Keep America Connected Director Angela Ledford. "But where is it? If competition for telecommunications services extends to large businesses only, residential customers and small businesses will be left out of the information age."

While consumers are being deprived of choices in local service, their long distance rates continue to be higher than necessary due to the lack of competition in the long distance

And the long distance companies are using their refusal to offer local service to ...ntial customers to try to keep the local Bell companies -- and the benefits of real ...npetition -- out of the long distance market.

The report issued today, called, *Request Denied; Residential Consumers Refused Local Telephone Service by Competitive Phone Companies*, is a preliminary look at local competition in three Southeastern cities -- Orlando, Florida; Spartanburg/Greenville, South Carolina; and New Orleans, Louisiana. A national report is due out later this fall.

The report showed the following regional trends:

- AT&T, MCI and Sprint refused requests for local residential service in all three cities.
- Seven small competitive local service providers operating in the three cities refused requests from residential customers for local telephone service.
- Most small competitors had no plans to provide residential service.
- AT&T, MCI and Sprint all offer local service to businesses in one or more of the three cities.

"These trends indicate trouble for consumers down the road," said Ledford. "If long distance companies are allowed to serve only the most profitable markets, many people, neighborhoods, and even entire communities could be left out of the information age. And if the long distance companies get their way, consumers will also be denied the benefits of Bell company entry into long distance. More must be done to stimulate competition in the residential market and to make sure all consumers benefit."

Keep America Connected, a coalition of 47 organizations representing consumers, labor, and local phone companies, collaborated with local citizen groups and BellSouth to produce the report. A look at 10 other cities around the country will be out later this fall.

For a copy of the report call 202-842-4080.

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Request Denied

Residential Consumers Refused Service by Competitive Local Telephone Companies

A Preliminary Report from
Keep America Connected
A National Campaign for Affordable Telecommunications

October 17, 1997

Request Denied

Residential Consumers Refused Service by Competitive Local Telephone Companies

Executive Summary

Consumers are still waiting to see the benefits of the 1996 Telecommunications Act. The big three -- AT&T, MCI and Sprint -- continue to dominate the long distance market and residential consumers have no options for an alternative local provider. Policy makers are asking "why?" The Act brought with it the promise of a new era of competition in telecommunications. The pro-competitive environment was supposed to bring more consumer choices, lower rates, better service and economic growth. However, the anticipated competition and the resulting benefits for consumers are far from reality.

Keep America Connected[1] sought to find out whether the big three long distance companies and smaller competitive local exchange carriers (CLECs) are offering local service to residential consumers. If so, where? If not, why not? We set out to answer these questions the easy way -- we asked them.

Summary of Findings

Local residents of New Orleans, Louisiana, Orlando, Florida and Spartanburg/Greenville, South Carolina, called local sales representatives to request local service. Here is what they were told:

- AT&T, MCI and Sprint refused requests for local residential service in all three cities.
- AT&T offers local service to large businesses in all three cities. MCI and Sprint both offer local service to businesses in Orlando, and Sprint serves businesses in New Orleans.
- Seven small, competitive local service providers operating in the three cities refused requests from residential customers for local telephone service.

[1] Keep America Connected is a coalition of organizations representing older Americans, people with disabilities, rural and inner city residents, people of color, lower income citizens, labor and telecommunications providers. The goal of the Keep America Connected Campaign is to ensure that all consumers, not just big business and upper end consumers, have affordable access to the modern telecommunications infrastructure and services.

- All the long distance companies were vague about any plans to provide local residential service. Sprint representatives reported no plans to go into the residential market in any of the three cities, except Orlando. Paradoxically, MCI indicated tentative plans to offer residential service in New Orleans and Greenville, where they currently do not offer business service, but indicated no plan to provide service in Orlando, where they are providing local service to business customers.

- Smaller competitors had no plans to provide residential service.

- When asked why they were not providing residential local service, none of the carriers' representatives indicated that the local phone company was keeping them out of the market. When representatives answered the question, they only indicated that their current marketing plan was to focus on business customers.

Why are these companies refusing to provide service to residential customers? The long distance companies loudly proclaimed a desire and a commitment to serve residential consumers. What explains their absence from this market?

- Local residential service is costly to provide. Business service has traditionally been priced higher than residential service, offering providers a higher profit margin than the residential market. Without government mandates, competition will enter markets that offer the best chance to turn a profit.

- Press reports indicate that the potential competitors underestimated the difficulty of putting together effective business and marketing plans for offering local service to consumers. News of AT&T and MCI announcements, missteps and refinements of their plans to provide local service has filled newspapers since late in 1996.

- The major long distance companies have a financial self-interest to stay out of residential phone service. The slower the long distance companies move into the local service market, the longer they hope they can keep their most significant competitor, the local phone company, out of the long distance business.

Major Long Distance Companies Providing Local Service

All three of the major long distance companies are authorized by the state regulators to provide service in these three target cities, and all have signed interconnection agreements with the incumbent provider.

	New Orleans		Orlando		S/G	
	Res	Bus	Res	Bus	Res	Bus
AT&T*	NO	YES	NO	YES	NO	YES
MCI	NO	NO	NO	YES	NO	NO
Sprint	NO	YES	NO	YES	NO	NO

*AT&T's digital link service is available nationwide to business customers with T1.5 access (24 phone lines) or greater. This service delivers outbound local calls using existing or new dedicated digital access facilities.

Small Competitive Local Service Providers

Smaller competitors are carefully targeting markets and almost exclusively serving business customers.

	New Orleans		Orlando		S/G	
	Res	Bus	Res	Bus	Res	Bus
ACSI	NO	YES	NO	NO	NO	YES
Intermedia	NO	NO	NO	YES	NO	YES
Cox	NO	YES	NO	NO	NO	NO